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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Washington 25, D. C.

AA 7

February 1, 1952

ACCOUNTING AND AUDITING MEMORANDUM 7

SUBJECT: Accounting Procedure for Employee Retirement and Group Insurance Programs

It is recommended that borrowers having employee retirement and group insurance plans adopt the procedure outlined in this memorandum.

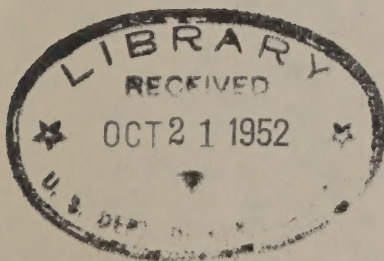
As a general rule the cost of the program is borne partly by the cooperative and partly by its employees. The borrower may pay the full cost yearly in advance and recover the employees' share through pay deductions. When the cooperative makes an advance payment, its portion of the cost should be charged to Account 132.3, Prepayments--Retirement and Security, and the employees' share to be recovered should be charged to Account 125.4, Accounts Receivable--Retirement and Security, pending recovery.

As amounts are withheld from salaries to recover the portion being charged to employees, Account 125.4 should be credited. The related debit will be included in the distribution of salaries and wages.

Monthly entries should be made crediting Account 132.3 for one-twelfth of the borrower's annual cost. Where the participating employees work entirely on operations, the debit should be to Account 800.2, Retirement and Security. If construction is in progress, the charge should be prorated between Account 800.2 and the appropriate construction work-in-progress accounts in the ratio in which employees' wages have been distributed between construction and operating costs.

Some borrowers may be using Accounts 125.4 and 132.3 for other purposes. If so, the next unused decimal accounts should be substituted for those herein recommended.

That portion of the general fund expenditures for the retirement and security program which has been charged to construction may be reimbursed from REA construction funds.



Leslie Surginer
Leslie Surginer
Chief, Accounting and
Auditing Division

